

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 CIEP-02 SS-15 STR-08 TAR-02

TRSE-00 USIA-12 PRS-01 SAL-01 OMB-01 EA-11 RSR-01

/158 W

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R 112335 Z APR 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 847

INFO ALL AMCONSULS IN CANADA

UNCLAS OTTAWA 0880

E. O. 11652: N/ A

TAGS: ETRD, CA

SUBJECT: TRADE BILL: PRELIMINARY REACTION.

BEGIN SUMMARY

PRESS PLAY OF TRADE BILL MODERATE, INITIAL GOC REACTION
GENERALLY FAVORABLE BUT CAUTIOUS. MORE COVERAGE AND COMMENT
EXPECTED WITHIN NEXT FEW DAYS. MINISTER INDUSTRY, TRADE AND
COMMERCE GILLESPIE WELCOMED MOVE AS GIVING IMPETUS TO NEGOT-
IATIONS FOR TRADE LIBERALIZATION, STRESSED CANADA'S COMMON
INTERESTS WITH US. NEWSPAPER STORIES APRIL 11 STRESSED
BROAD POWERS SOUGHT, WEIGHING POSSIBLE BENEFITS TO CANADA
AGAINST RISKS. APPARENTLY REFLECTING DESIRE AWAIT RECEIPT
AND STUDY MORE DETAILS, TRADE BILL NOT RAISED IN HOUSE
COMMONS QUESTION PERIOD APRIL 11.

END SUMMARY

1. IN PRELIMINARY REMARKS TO REPORTER CARRIED IN APRIL 11
TORONTO GLOBE AND MAIL, GILLESPIE WELCOMED ADMINISTRATION'S
REQUEST FOR LEGISLATIVE AUTHORITY WHICH HE SAID ESSENTIAL TO
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LAUNCHING OF GATT NEGOTIATIONS. GILLESPIE SAID GOC " COMMITTED" TO LATTER AND " ANXIOUS TO SEE TRADE LIBERALIZATION BECAUSE OF CANADA' S VERY SIGNIFICANT DEPENDENCE ON EXPORTS FOR PROSPERITY". HE CONTINUED, " I AM HOPEFUL STATED VIEW OF NIXON ADMINISTRATION WITH RESPECT TO TRADE LIBERALIZATION AND REDUCTION OF TRADE BARRIERS IS VIEW THAT WOULD BE CARRIED TO MULTILATERAL TALKS". GILLESPIE ADDED CANADA SHARES US INTEREST REGARDING GREATER ACCESS TO EEC AND JAPANESE MARKETS AND ALSO VIEW THAT LOWERING OF NON- TARIFF BARRIERS REQUIRES SPECIAL EMPHASIS.

2. TORONTO GLOBE AND MAIL APRIL 11 CARRIED TWO WASHINGTON DATELINE STORIES BY ROSS MONRO. STORY ON BILL ITSELF HEADLINED, " NIXON SEEKS POWER TO FIGHT NO- BLUFF BATTLE IN TRADE TALKS". SECOND MUNRO ARTICLE, BASED IN PART ON INTERVIEW WITH PRESIDENTIAL ADVISER PETER FLANIGAN, HEADLINED " NIXON' S TRADE OBJECTIVES COMPLEMENT CANADA' S AIMS". SAYS BILL " PRESENTS CANADA WITH MORE OPPORTUNITIES AND FEWER DANGERS THAN EXPECTED". MUNRO SAYS MR. FLANIGAN STRESSED BILL' S MAIN PROVISIONS AIMED AT MULTILATERAL ARENA, NOT BILATERAL " IRRITANTS" WHICH MUST BE DELT WITH ELSEWHERE.

3. ACCORDING MUNRO, MR. FLANIGAN SAW " MODEST AND SHORT TERM" CANADIAN TRADE SURPLUS BEING CORRECTED BY FLOATING EXCHANGE RATE, THEREFORE NOT MAKING CANADA VULNERABLE TO MEASURES DIRECTED AT COUNTRIES FAILING " TO CORRECT PERSISTENT AND EXCESS- IVE SURPLUS".

4. WHILE NOTING OTHER PROPOSED MEASURES NOT PRIMARILY AIMED AT HIGH WAGE ECONOMICS LIKE CANADA' S, MUNRO SAW RISK IN POSSIBLE CONGRESSIONAL AMENDMENTS TO BILL AND IN GIVING FUTURE PRESIDENTS LARGE DISCRETIONARY TRADE POWERS.

5. ALSO WRITING FROM WASHINGTON, SOUTHAM REPORTER BOGDAN KIPLING OPINED, IN STORY CARRIED IN APRIL 11 MONTREAL GAZETTE AND OTTAWA JORNAL, THAT " TRADE BILL MAY NOT BE AS PROTECTIONIST AS SOME DIEHARDS HERE WOULD HAVE LIKED, BUT POWERS IT SEEKS ARE ENOUGH TO CHILL BONES OF CANADIANS". KIPLING NOTED, HOWEVER, PRESIDENT' S MESSAGE TO CONGRESS ONLY MENTIONED CANADA ONCE, AND IN CONTEXT OF COUNTRIES " DEDICATED TO FREER TRADE".

6. GOC OFFICIALS BEGINNING TO STUDY VOLUMINOUS DOCUMENTATION UNCLASSIFIED

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THEY HAVE RECEIVED FROM WASHINGTON. PRELIMINARY COMMENTS TO

US GENERALLY ARE FAVORABLE ON GROUNDS (A) USG CLEARLY TAKING
SERIOUS APPROACH TO NEGOTIATIONS BY SEEKING MAJOR LEGISLATIVE
AUTHORITY, (B) GOC SHARES MANY TRADE INTERESTS WHICH USG
" CLOUT" BETTER ABLE TO ADVANCE, AND (C) MULTILATERAL SOLUTION
TO US BALANCE OF PAYMENTS PROBLEMS VITAL TO CANADA. WHILE
OFFICIALS SAY BILL FOLLOWS BROAD OUTLINE PROVIDED BY MR.
FLANIGAN, THEY EMPHASIZE NEED TO STUDY MANY DETAILS INCLUDING
PROPOSED CHANGES IN ANTI- DUMPING AND COUNTERVAIL LAWS AND IN
GATT RULES. THEY TEND TO EXPRESS GREATER CONCERN REGARDING
UNANTICIPATED TREASURY PROPOSAL FOR PARALLEL CHANGES IN
TAXATION OF FOREIGN SOURCE INCOME, STARTING APRIL 10.
SCHMIDT

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